

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 L-03 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 H-03

CIAE-00 INR-10 NSAE-00 PA-04 USIA-15 PRS-01 IGA-02

COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 AGR-20

SSO-00 INRE-00 NSCE-00 SCI-06 SCEM-02 /193 R

DRAFTED BY ARA/EP/P:MRRFRECHETTE

APPROVED BY ARA:HWSHLAUDEMAN

L/ARA:DGANTZ(INFO)

TREASURY:MBRADFIELD(INFO)

CIEP:RSTERNFELD (INFO)

EB/IFD/OIA:CELLIS (INFO)

ARA/PAF:WDIEDRICH (INFO)

ARA-LA/EP:SMPRINGLE

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TO AMEMBASSY LIMA IMMEDIATE

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EO11652NA:DECON DEC 31/74

TAGS:BDIS, EIND, ENRG, EFIN, EFIS, PE

SUBJECT: GREENE MISSION - BUSINESS WEEK STORY

REF:STATE 348

1. JAN 12, 1974 ISSUE OF BUSINESS WEEK, WHICH WILL
PROBABLY HIT WASHINGTON NEWSSTANDS MONDAY, JAN 14, CONTAINS
STORY ON GREENE MISSION. PRESS GUIDANCE ON GREENE MISSION
CONTAINED REFERENCE CONTINUES APPLICABLE.

2. STORY FOLLOWS BEGIN QUOTE: A NEW FORMULA FOR
EXPROPRIATION CLAIMS/FIVE YEARS OF WRANGLING OVER PAYMENT
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FOR NATIONALIZED US BUSINESSES SEEM ABOUT TO COME TO AN

AMICABLE END IN PERU. JAMES R. GREEN(SIC), SENIOR VICE-PRESIDENT OF MANUFACTURERS HANOVER TRUST CO. AND A SPECIAL EMISSARY OF PRESIDENT NIXON, HOPES TO GO TO LIMA IN THE NEXT WEEK OR SO TO NEGOTIATE FINAL DETAILS OF A PACKAGE SETTLEMENT DESIGNED TO PROVIDE COMPENSATION FOR MORE THAN A DOZEN AMERICAN COMPANIES AND PRIVATE INVESTORS WHOSE PROPERTIES HAVE BEEN TAKEN OVER BY THE PERUVIAN MILITARY JUNTA SINCE IT SEIZED POWER IN 1968. LIMA OBSERVERS ESTIMATE THE PAYMENT WILL COME TO DOLS 125 MILLION OR MORE. (PARA) THE LATEST TAKEOVER, AND ONE OF THE BIGGEST, WAS OF THE 71-YEAR-OLD CERRO DE PASCO CORP. MINING SUBSIDIARY OF NEW YORK-BASED CERRO CORP., EXPROPRIATED ON JAN. 1 BY

EXECUTIVE ORDER OF PRESIDENT JUAN VELASCO ALVARADO. THE IMPENDING NATIONALIZATION OF CERRO WAS WHAT PROMPTED THE NIXON ADMINISTRATION TO SEEK AN OVER-ALL SETTLEMENT OF OUTSTANDING EXPROPRIATION DISPUTES LAST AUGUST. OTHERWISE, THE TAKEOVER THREATENED TO PROVOKE A POLITICAL CONFRONTATION WITH PERU AND RENEW THE BITTERNESS THAT FOLLOWED THE JUNTA'S SEIZURE OF INTERNATIONAL PETROLEUM CORP. (IPC), A SUBSIDIARY OF EXXON CORP., SHORTLY AFTER ITS 1968 COUP. (PARA) PACKAGE DEAL. IN WASHINGTON, ADMINISTRATION OFFICIALS AND COMPANY EXECUTIVES ARE CLOSE-MOUTHED ABOUT THE TALKS. BUT REPORTEDLY, THE PROPOSED SETTLEMENT WILL PROVIDE FOR A SINGLE PAYMENT BY PERU TO THE US GOVERNMENT, WHICH WILL DECIDE HOW THE MONEY SHOULD BE PARCELED OUT AMONG AMERICAN CLAIMANTS. SUCH A GOVERNMENT-TO-GOVERNMENT PACKAGE DEAL IS MORE PALATABLE POLITICALLY TO THE PERUVIANS THAN INDIVIDUAL NEGOTIATIONS WITH US COMPANIES THAT HAVE BECOME TARGETS OF POLITICAL AGITATION. (PARA) IN ADDITION, AN OVER-ALL SETTLEMENT WILL OPEN THE WAY FOR CREDITS TO PERU FROM THE US AND FROM INTERNATIONAL AGENCIES. UNDER THE GONZALEZ AMENDMENT TO LEGISLATION AUTHORIZING US CONTRIBUTIONS TO THE WORLD BANK AND INTER-AMERICAN DEVELOPMENT BANK, THE ADMINISTRATION IS REQUIRED TO OPPOSE ALL LOANS BY INTERNATIONAL AGENCIES TO A COUNTRY THAT HAS EXPROPRIATED US PROPERTIES, UNLESS IT IS NEGOTIATING COMPENSATION. (PARA) CERRO BROKE OFF TALKS WITH PERU ON A NEGOTIATED LIMITED OFFICIAL USE

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SALE OF ITS PROPERTIES LAST SEPTEMBER, CHARGING THE JUNTA WITH "BAD FAITH." WRGRACE & CO. HAS BEEN NEGOTIATING, OFF AND ON, WITH A PERUVIAN INTERMINISTERIAL COMMISSION SINCE 1969. PERU TOOK OVER GRACE'S SUGAR MILLS AND PLANTATIONS IN THAT YEAR AND TURNED THEM OVER TO A WORKERS' COOPERATIVE UNDER A LAW PROVIDING FOR PAYMENT IN AGRARIAN REFORM BONDS. GRACE STILL OWNS AND OPERATES CHEMICAL PLANTS AND PULP AND PAPER MILLS THAT GET THEIR RAW MATERIALS FROM THE

SUGAR PROPERTIES, BUT NEGOTIATIONS FOR COMPENSATION HAVE INCLUDED A PERUVIAN TAKEOVER OF THESE PLANTS AS WELL.

(PARA) WHILE THE PROPOSED PAYMENT IS NOT BROKEN DOWN AMONG CLAIMANTS IN THE CURRENT NEGOTIATIONS, LIMA OBSERVERS SPECULATE THAT CERRO MIGHT EVENTUALLY GET DOLS-65 MILLION OR SO FOR PROPERTY THAT IT CARRIES ON ITS BOOKS AT DOLS 145-MILLION, AND GRACE COULD GET ABOUT DOLS 35-MILLION FOR ASSETS IT VALUES AT DOLS 65-MILLION. US COMPANIES AND PRIVATE INVESTORS IN PERUVIAN FISHMEAL OPERATIONS, INCLUDING HEINZ, CARGILL, STARKIST, AND GENERAL MILLS MAY COLLECT A TOTAL OF DOLS 25-MILLION OR SO FOR INVESTMENTS VALUED AT DOLS 35-MILLION TO DOLS 40-MILLION. OTHER PENDING US CLAIMS ARE BY STANDARD OIL CO. OF CALIFORNIA,

FOR A SMALL REFINERY AND DISTRIBUTION NETWORK IT VALUES AT DOLS 10-MILLION, AND BY CONSTRUCTION CONTRACTOR MORRISON-KNUDSEN FOR DOLS 3.7-MILLION TO DOLS 5.3-MILLION, FOR DISPUTED WORK ON A SECTION OF THE TRANS-ANDEAN HIGHWAY IN 1969 UNDER A DOLS 46-MILLION CONTRACT FINANCED BY THE US EXPORT-IMPORT BANK. SOCAL AND MORRISON-KNUDSEN COULD EACH GET AROUND DOLS 1-MILLION, SAY LIMA SOURCES.

(PARA) BETTER TERMS. A SETTLEMENT COULD LEAVE SOME NATIONALIZED COMPANIES STILL IN BUSINESS IN PERU, UNDER CONTINU
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 11 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE006374
Document Source: CORE
Document Unique ID: 00
Drafter: MRRFRECHETTE
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740147/aaaabsag.tel
Line Count: 134
Locator: TEXT ON-LINE
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: TATE 348
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 19 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 SEP 2002 by cunninfx>; APPROVED <26-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GREENE MISSION - BUSINESS WEEK STORY
TAGS: BDIS, EIND, ENRG, EFIN, EFIS, PE
To: LIMA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005